

# *A Guide to Withholding of Taxes on Wages*

1999

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*Definitions and Employer Responsibilities**Calculating Withholding**Filing and Payment Information**Reporting Wages and Withholding**Department of Revenue Resources***Massachusetts Department of Revenue**



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*Dear Taxpayer:*

*The withholding of state income taxes by employers from their employees' paychecks is the single most important revenue source for the Commonwealth. At the Department of Revenue (DOR), our goal is to help all employers meet their withholding requirements by explaining the rules for collecting and remitting employee withholding in the clearest way possible.*

*Withholding is one of several "trustee taxes" collected by the Department. Trustee taxes — withholding as well as sales/use tax, meals tax and room occupancy excise — are so-named because employees and customers are entrusting businesses to remit the taxes they collect to the Commonwealth. The fact that trustee taxes account for well over half of total state tax collections each year underscores the importance of remitting these taxes to DOR on time and in full.*

*To ensure that Massachusetts taxpayers understand and fulfill their responsibilities, the Department is committed to providing taxpayers with reliable customer service, easy-to-use tax forms and informational tax guides like this one. At the same time, our ongoing enforcement efforts are designed to assure honest taxpayers that we will pursue those who try to avoid their obligations.*

*Whether you are starting a new business or are a veteran business owner, we hope this guide is helpful in providing you with an understanding of your withholding responsibilities. As always, you are invited to contact the Department directly if you have additional questions.*

*A message from the Commissioner's Office*

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*This publication contains general information regarding withholding of Massachusetts income tax from wages. It is designed to inform you, as an employer, of the basics of collecting and remitting employee withholding to the Massachusetts Department of Revenue (DOR).*

*Written in a straightforward question and answer format, this guide defines basic withholding terminology, outlines an employer's responsibilities and explains the methods of calculating the proper amount of withholding.*

*Please note that Massachusetts uses federal legal definitions for many basic withholding concepts such as "employer" and "employee." The descriptions of basic terms provided here are not comprehensive. Any complex definitional questions must be resolved in accordance with federal rules.*

*This guide is part of an ongoing series of publications designed to keep the public informed about Massachusetts tax law. If you have further questions about withholding of income tax, please call the Department's Customer Service Bureau at (617) 887-MDOR or toll-free in Massachusetts at 1-800-392-6089.*

*To obtain Massachusetts tax forms and publications by phone, call the Department's main information lines at (617) 887-MDOR or toll-free in Massachusetts at 1-800-392-6089. Please note that many forms and publications are available 24 hours a day by calling the Department's Interactive Voice Response system at the numbers listed above. DOR is pleased to offer taxpayers the convenience of obtaining many Massachusetts tax forms and publications via the DOR website ([www.state.ma.us/dor](http://www.state.ma.us/dor)). Certain forms and publications also can be obtained through DOR's Fax on Demand system; please dial (617) 887-1900 using the handset and the keypad of your fax machine. Complete lists of forms and publications, along with their Fax on Demand codes, can be found on pages 24 through 26. We urge you to contact the Department directly — using this guide as a handy reference tool — if you have any further questions or comments.*

# **Basic Definitions and Employer Responsibilities**

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## **What is withholding?**

*Withholding refers to income tax withheld from wages by employers to pay employees' personal income taxes. As an employer, you are required by law to withhold Massachusetts personal income tax from wages of residents for services performed either within or outside Massachusetts, and from wages of nonresidents for services performed in Massachusetts.*

## **Who is an employer?**

*An employer is any person, corporation or organization for whom an individual performs a service as an employee. An employer may be an individual, corporation, partnership, estate, trust, association, joint venture or other unincorporated organization. Religious, educational, charitable and social organizations also may be employers. Employers are responsible for collecting and remitting employee withholding to the Commonwealth.*

## **Who is an employee?**

*An employee is anyone who performs services for another person or organization under the direction and control of that person or organization. The relationship of employer and employee exists when the person for whom services are performed has the right to control and direct the details and manner in which the job is to be accomplished.*

## **Is the owner of a business considered an employee?**

*As a general rule, the owner of a sole proprietorship is not considered an employee for withholding purposes even if he or she has no other employees. Therefore, the owner would not register for withholding solely to pay his or her own taxes.*

*However, if an owner expects to owe more than \$200 in Massachusetts income tax on the income received from the business, he or she is required to make individual estimated income tax payments.*

*For more information on individual estimated income tax payments, refer to DOR's Estimated Income Tax Payment Voucher (Form 1-ES) Instructions. DOR also has a guide entitled, **Should You Be Paying Estimated Taxes?** Both are available by calling DOR's main information lines at (617) 887-MDOR or toll-free in Massachusetts at 1-800-392-6089.*

## **What are the responsibilities of an employer?**

*An employer is responsible for:*

- Registering with DOR to collect withholding taxes;
- Withholding state income taxes from employees who reside or are employed in Massachusetts and remitting those taxes, along with the appropriate form on time. (Please refer to the section entitled, "How to Calculate Withholding from Wages" on page 13.);
- Obtaining from each employee a completed Employee's Withholding Allowance Certificate (Form W-4) and Massachusetts Employee's Withholding Exemption Certificate (Form M-4);
- Submitting to DOR a completed copy of the Form W-4 from all newly hired personnel, or personnel returning to the payroll, within 14 days of an employee's first day on the job. Copies of completed Forms W-4 may be submitted by fax to (617) 887-5049 or mailed to Department of Revenue, PO Box 7032, Boston, MA 02204. Alternative means of reporting newly hired or reinstated employees are permitted on a written, preapproved basis. For more information, please call DOR's Child Support Enforcement Customer Service Employer Support Unit at 1-800-332-2733;
- Providing each employee with a Wage and Tax Statement (Form W-2) by January 31, or within 30 days if employment terminates before the close of the calendar year, showing the total amount of wages paid, the total Social Security and Medicare taxes withheld, and the amount of federal and Massachusetts income tax withheld for the prior year;
- Filing quarterly reports of gross wages paid to each employee who resides or is employed in Massachusetts. This filing is done on an Employer's Quarterly Report of Wages Paid (Form WR-1), or the information may be recorded on magnetic tape or cartridge and mailed to Department of Revenue, Tape Library, PO Box 7030, Boston, MA 02204. (Please see pages 20 through 22 for more information on wage reporting requirements.);



**Employer Support Unit**  
1-800-332-2733



**DOR Tape Library**  
PO Box 7030  
Boston, MA 02204



*Division of Employment  
and Training*

*(617) 626-5075*

*Internal Revenue Service*

*(617) 536-1040*

*1-800-829-1040*

- *Contacting the Massachusetts Division of Employment and Training to fulfill the obligations for state employment security taxes. The telephone number for unemployment insurance information is (617) 626-5075; and*
- *Contacting the Internal Revenue Service (IRS) to fulfill obligations for withholding federal income taxes as well as Social Security and Medicare taxes. For more information, call the IRS at (617) 536-1040 or toll-free at 1-800-829-1040.*

### ***How does an employer register to collect withholding?***

*To register to collect Massachusetts withholding, an employer must file a Massachusetts Trustee Tax Application for Original Registration (Form TA-1).*

*The TA-1 booklet contains filing schedules, instructions for completing the form and other important information. The booklet is available at any DOR office location listed on the back of this guide.*

### ***What happens after registering with DOR?***

*Once DOR has processed your Form TA-1, we will send a booklet of preprinted tax forms to your principal place of business. If your business size requires you to file annually, you will not receive your form until December of the year for which you are filing.*

### ***Must a tax-exempt organization collect withholding?***

*Yes. Tax-exempt organizations such as religious and government organizations are required to withhold income tax from employees.*

### ***Is a Massachusetts employer required to withhold state income tax from an employee who is a nonresident?***

*Yes. Withholding is required on wages paid to nonresidents that are attributable to services performed in Massachusetts. However, if a nonresident does not work in Massachusetts, even if he or she is paid from a Massachusetts office, withholding is not required.*

*Example: Michael is single, lives in Nashua, New Hampshire and works in Massachusetts. Michael's Massachusetts employer withholds the appropriate*

*amount of Massachusetts income tax from his weekly paycheck and remits it in full to DOR. Michael files a nonresident income tax return in Massachusetts.*

### ***Is a non-Massachusetts employer required to withhold state income tax from wages for a Massachusetts resident?***

Yes. A non-Massachusetts employer must deduct and withhold from wages the amount determined for Massachusetts income tax purposes, less any amount deducted and withheld for the employer's state. If there is no state withholding in the home state of the business, the employer withholds and remits the full amount determined for Massachusetts. For more information, please see DOR Directive 91-4, *Multiple State Withholding Requirements*, which is available by calling either DOR's Rulings and Regulations Bureau at (617) 626-3250 or DOR's Fax on Demand system at (617) 887-1900, using the handset and keypad of your fax machine, and entering code number 3410.



*See Directive 91-4*

**Example:** Susan is single, lives in Springfield, Massachusetts and works in Connecticut where she earns \$425 a week. Her employer withholds \$5.07 from her paycheck each week for Connecticut income tax. Since Susan would have had \$18.23 withheld from her weekly paycheck had she worked in Massachusetts, her employer withholds and remits an additional \$13.16 to DOR.

### ***Must an employer withhold on wages for Massachusetts if federal withholding is not required?***

No. DOR follows the IRS guidelines for persons subject to withholding. If there is no requirement to withhold federal income tax, there is no requirement to withhold Massachusetts income tax.



*Internal Revenue Service*

*(617) 536-1040*

*1-800-829-1040*

*This situation particularly applies to household (domestic) employers. However, domestic employers still are required to withhold Social Security tax from household employees. For more information about these requirements, contact the Internal Revenue Service at (617) 536-1040 or toll-free at 1-800-829-1040. Household employers also should contact the Division of Employment and Training at (617) 626-5075 for information on their obligations for state unemployment taxes.*

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*As a convenience to their employees, domestic employers do have the option to withhold federal and state income tax. Withholding income tax from wages may relieve domestic employees from having to pay estimated taxes.*

***Are pension, annuity and other similar payments subject to withholding?***

*Yes. Payments of pension, annuity and other similar payments made to Massachusetts residents who have not elected to be exempt from U.S. income tax withholding are subject to Massachusetts income tax withholding.*

***Are lump sum and eligible rollovers from qualified pension and annuity plans subject to withholding?***

*Generally, lump sum and eligible rollovers that are subject to federal withholding also are subject to Massachusetts withholding, unless such distributions are of a type that would never be subject to Massachusetts personal income taxation. For more information, please see TIR 98-8, Massachusetts 1998 Reducing Income Taxes Act ("the Act") or TIR 93-3, Massachusetts Income Tax Withholding on Eligible Rollover Distributions from I.R.C. s.401 Qualified Plans and s.403(b) Annuities. Both TIRs are available by calling either DOR's Rulings and Regulations Bureau at (617) 626-3250 or DOR's Fax on Demand system at (617) 887-1900.*



*DOR's Fax on Demand  
(617) 887-1900*

***How are such pension and annuity withholdings reported and paid?***

*The trustee or administrator of the pension or annuity plan must register with DOR by filing a Massachusetts Trustee Tax Application for Original Registration (Form TA-1), using the plan's federal tax identification number and checking box 1A2. Returns and payments are subject to the same requirements as withholding on wages with regard to filing frequency. Please see page 17 for filing and payment requirements.*

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## ***Do special rules apply to employees of interstate motor and rail carriers?***

Yes. "Interstate" rail and motor carrier employers are required to withhold Massachusetts income tax from their workers who are Massachusetts residents, and from their workers who are not residents of Massachusetts but who perform all their regularly assigned duties in Massachusetts.

For more information, please see Technical Information Release, 93-6, *Income Tax: Employees of Interstate Motor and Rail Carriers*, which is available by calling either DOR's Rulings and Regulations Bureau at (617) 626-3250 or DOR's Fax on Demand system at (617) 887-1900, using the handset and the keypad of your fax machine, and entering code number 1816.



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*See Technical Information  
Release 93-6*

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# Information Employers Must Obtain from Employees

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## **What information does an employer need to obtain from an employee for withholding purposes?**

An employer needs to obtain the employee's full name, home address, Social Security number, the total number of exemptions, and any additional withholding amounts which the employee requests to be withheld. Employees must report this information on an Employee's Withholding Allowance Certificate and on a Massachusetts Employee's Withholding Exemption Certificate (Forms W-4 and M-4). Claiming the proper number of exemptions prevents overwithholding.



Report exemptions on  
Form M-4

## **Should employees complete both Forms W-4 and M-4?**

Yes. Since Massachusetts withholding exemptions are different from U.S. withholding exemptions, employees should complete both Forms M-4 and W-4 for the most accurate withholding.

## **Can an employee change the number of his or her exemptions on Form M-4?**

Yes. An employee may file a new certificate at any time if the number of exemptions increases. An employee must file a new certificate within 10 days if the number of exemptions previously claimed decreases.

## **How does an employee with two or more jobs calculate exemptions on Form M-4?**

If an employee holds more than one job, he or she may claim exemptions only with his or her principal employer.

## **Can employees ask employers to withhold extra amounts of tax?**

Yes. Employees who receive income that is not covered by withholding may request that their employer withhold additional amounts to pay the tax that will be due on that income.

## **Should an employer withhold on income from tips?**

Yes. In accordance with federal tax rules, tips are considered to be part of an employee's pay and must be taken into account when determining the withholding amount. Employees must report tips from any one job totalling \$20 or more in any given month to employers by the 10th day of the following month. The employer uses this reported amount to calculate withholding by adding the reported tips to the employee's pay.

# How to Calculate Withholding from Wages

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## **What are taxable wages?**

Taxable wages include all compensation to an employee for services performed. Payments subject to Massachusetts withholding include wages, salaries, tips, commissions, bonuses, fees or any other item of value paid to an individual for services performed as an employee.

## **Are payments to employees for traveling or other reimbursable business expenses subject to withholding?**

If such expenses are substantiated by the employee, and the amount in excess of the substantiated expenses is returned to the employer, then these payments are not subject to withholding. Such payments must be identified either by making a separate payment or by indicating the separate amounts if both wages and expense allowances are combined in a single payment. Payments for expenses not substantiated or excess payments not returned must be included in the employee's wages and are subject to withholding.

## **How is withholding calculated?**

The amount of income tax withheld is based on the employee's taxable wages, the number of exemptions claimed, and any additional withholding amounts requested on the Massachusetts Employee's Withholding Exemption Certificate (Form M-4). Withholding is calculated either by using the tax tables available from DOR or by using a mathematical formula commonly known as the percentage method. These methods, which are explained in Massachusetts Income Tax Withholding Tables January 1999 and Thereafter (Circular M), may be applied on a daily, weekly, biweekly, semimonthly or monthly basis.

## **How do the withholding tables work?**

The withholding tables provided in DOR's Circular M factor in the employee's wages for an applicable payroll period, the number of withholding exemptions claimed by the employee, and any additional withholding amounts requested by the employee on Form M-4.



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Use tax tables or percentage method to calculate withholding

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*Example: Steve earns \$565 a week as a construction worker. His wife Debby works full-time in real estate. They have three children, ages 14, 11 and 8. Steve and Debby decided to claim the exemptions for their children on Steve's M-4. Following is a copy of Steve's Form M-4. He is allowed a total of five exemptions: one for himself, three for his children, plus an additional exemption for having at least one child under age 12.*

FORM M-4	MASSACHUSETTS EMPLOYEE'S WITHHOLDING EXEMPTION CERTIFICATE		Rev. 7/98
Print full name <u>STEVEN TAXPAYER</u>	Social Security No. <u>123-45-6789</u>		
Print home address <u>66. MAIN STREET</u>	City. <u>ANY.TOWN</u>	State <u>MA</u>	Zip Code <u>02134</u>
<b>EMPLOYEE:</b> File this form or Form W-4 with your employer. Otherwise, Massachusetts Income Taxes will be withheld from your wages without exemptions.		<b>HOW TO CLAIM YOUR WITHHOLDING EXEMPTIONS</b> <ol style="list-style-type: none"> <li>1. Your personal exemption. Write the figure "1". If you are age 65 or over or will be before next year, write "2".</li> <li>2. IF MARRIED and if exemption for spouse is allowed, write the figure "4". If your spouse is age 65 or over or will be before next year and if otherwise qualified, write "5". See Instruction C.</li> <li>3. Write the number of your qualified dependents. See Instruction D.</li> <li>4. Add the number of exemptions which you have claimed above and write the total.</li> <li>5. Additional withholding per pay period under agreement with employer \$ <u>0</u> <span style="float: right;">1</span>            A. <input type="checkbox"/> Check if you will file as head of household on your tax return.            B. <input type="checkbox"/> Check if you are blind. C. <input type="checkbox"/> Check if spouse is blind and not subject to withholding.            D. <input type="checkbox"/> Check if you are a full-time student engaged in seasonal, part-time or temporary employment whose estimated annual income will not exceed \$8,000. <span style="float: right;">0 <span style="border: 1px solid black; padding: 2px;">4</span> <span style="border: 1px solid black; padding: 2px;">5</span></span></li> </ol>	
<b>EMPLOYER:</b> Keep this certificate with your records. If the employee fails to file Form W-4 and claimed excessive exemptions, the Massachusetts Department of Revenue should be so advised.			
<b>EMPLOYER: DO NOT withhold if Box D is checked.</b>			
I certify that the number of withholding exemptions claimed on this certificate does not exceed the number to which I am entitled. (Date) <u>APRIL 5, 1999</u> (Signed) <u>Steve Taxpayer</u>			
<b>THIS FORM MAY BE REPRODUCED</b>			

*Steve's employer uses this information to calculate the correct amount to withhold from his weekly paycheck. Using the weekly table in Circular M, his employer withholds \$21.72 from Steve's weekly paycheck.*

If the payroll period with respect to an employee is WEEKLY												
And the wages are:		And the number of withholding exemptions claimed is:										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
The amount of Massachusetts income tax to be withheld shall be:												
510	520	28.35	23.32	22.18	21.03	19.89	18.74	17.60	16.45	15.31	14.17	13.02
520	530	28.95	23.91	22.77	21.63	20.48	19.34	18.19	17.05	15.90	14.76	13.62
530	540	29.54	24.51	23.37	22.22	21.08	19.93	18.79	17.64	16.50	15.36	14.21
540	550	30.14	25.10	23.96	22.82	21.67	20.53	19.38	18.24	17.09	15.95	14.81
550	560	30.73	25.70	24.56	23.41	22.27	21.12	19.98	18.83	17.69	16.55	15.40
560	570	31.33	26.29	25.15	24.01	22.86	21.72	20.57	19.43	18.28	17.14	16.00
570	580	31.92	26.89	25.75	24.60	23.46	22.31	21.17	20.02	18.88	17.74	16.59
580	590	32.52	27.48	26.34	25.20	24.05	22.91	21.76	20.62	19.47	18.33	17.19
590	600	33.11	28.08	26.94	25.79	24.65	23.50	22.36	21.21	20.07	18.93	17.78
600	610	33.71	28.67	27.53	26.39	25.24	24.10	22.95	21.81	20.66	19.52	18.38

An additional reduction of the withholding amount occurs if the taxpayer is filing as head of household and/or either the taxpayer or the taxpayer's spouse is blind. The withholding table amount should be reduced as follows if the taxpayer is filing as head of household and/or the blindness exemption is claimed:

<b>Payroll Period</b>	<b>Reduction Amount</b>	
	<b>Head of Household</b>	<b>Blindness Exemption*</b>
Daily .....	\$0.39 .....	\$ 0.36
Weekly.....	2.75 .....	2.52
Biweekly .....	5.49 .....	5.03
Semimonthly.....	5.95 .....	5.45
Monthly.....	11.90 .....	10.91

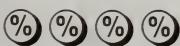
\* These amounts should be doubled if both the taxpayer is blind and the taxpayer's spouse is blind and not otherwise subject to withholding.

### **What is the percentage method?**

The percentage method is a mathematical formula for determining withholding amounts. This method is used primarily by businesses with automated payroll systems. The percentage method is calculated as follows:

1. Determine employee's wages for the payroll period (weekly, biweekly, etc.).
2. Subtract the amount deducted for Social Security (FICA), Medicare, Massachusetts, U.S. or Railroad Retirement contributions (up to an annual maximum of \$2,000).
3. Subtract the exemption amount (from the following table). If no exemptions are claimed, the exemption amount will be \$0.
4. Multiply the result by the current rate.

→ Until further notice, the tax rate is 5.95 percent.



Currently the tax rate  
is 5.95 percent

The exemption amount is based on the number of withholding exemptions claimed and the applicable payroll periods. The following table details the exemption amount calculation:

### **Payroll Period Exemption Amount Calculation**

Daily	\$ 3.00 x number of exemptions claimed + \$ 9
Weekly	\$ 19.50 x number of exemptions claimed + \$ 65
Biweekly	\$ 39.00 x number of exemptions claimed + \$ 130
Semimonthly	\$ 42.00 x number of exemptions claimed + \$ 141
Monthly	\$ 83.00 x number of exemptions claimed + \$ 284
Annually	\$1,000.00 x number of exemptions claimed + \$3,400

**Example:** Nancy works as a paralegal and earns \$350 a week. She claims four exemptions: one for herself, two for her children ages 3 and 6, and one more for having at least one dependent under age 12. Nancy's state withholding, using the percentage method, is based on the following calculation:

Wages .....	\$350.00
Social Security (FICA) and Medicare .....	(26.78)
<i>Subtotal</i> .....	\$323.22
Exemption factor $(19.50 \times 4) + 65.00$ .....	(143.00)
<i>Subtotal</i> .....	\$180.22
Tax rate .....	x .0595
Withholding .....	\$ 10.72

An additional reduction of the withholding amount occurs if the taxpayer is filing as head of household and/or either the taxpayer or the taxpayer's spouse is blind. When using the percentage method to calculate withholding, reduce the amount withheld according to the following table if the taxpayer is filing as head of household and/or the blindness exemption is claimed:

<b>Payroll Period</b>	<b>Reduction Amount</b>	
	<b>Head of Household</b>	<b>Blindness Exemption*</b>
Daily .....	\$0.39 .....	\$ 0.36
Weekly .....	2.75 .....	2.52
Biweekly .....	5.49 .....	5.03
Semimonthly .....	5.95 .....	5.45
Monthly .....	11.90 .....	10.91

\*These amounts should be doubled if both the taxpayer is blind and the taxpayer's spouse is blind and not otherwise subject to withholding.

## Filing and Payment Information

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### **What are the requirements for filing and paying withholding?**

Due dates for filing forms and paying over withholding vary depending on the total amount of tax you expect to withhold from your employees in a year. In all cases, the mailing date must be at least two days before the due date. The following chart lists the filing and payment requirements.

<b>Projected Annual Withholding Tax Collected from All Employees</b>	<b>Return Filing Requirement</b>	<b>Payment Due</b>
\$100 or less	<b>Annually</b> due by January 31 of the following year. <b>Form M-941A.</b>	Payment due with return.
\$101 up to \$1,200	<b>Quarterly</b> due on or before last day of month following close of calendar quarter, i.e., on or before April 30, July 31, October 31, and January 31. <b>Form M-941.</b>	Payment due with return.
\$1,201 up to \$25,000	<b>Monthly</b> due on or before 15th day of following month except for the payments for March, June, September and December — these are due on the last day of the following month. <b>Form M-942.</b>	Payment due with return.
More than \$25,000*	<b>Quarterly</b> due on or before last day of month following the close of the calendar quarter — i.e., on or before April 30, July 31, October 31 and January 31. <b>Form M-941D.</b>	When Massachusetts income tax withheld is \$500 or more by the 7th, 15th, 22nd and last day of a month, pay over within three business days thereafter with a completed <b>Form M-941W</b> for each payment.

\*Withholding taxpayers with annual tax liabilities of \$250,000 or more are required to make weekly depository payments through the Department's Electronic Funds Transfer (EFT) program. For more information contact the Department's EFT unit at (617) 887-5020.

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*Example: Over the year, AMC Productions expects to withhold a total of \$14,000 from its 12 employees for Massachusetts income tax. Because AMC Productions withholds more than \$1,201 but less than \$25,000 annually, it is required to file an Employer's Monthly Return of Income Taxes Withheld (Form M-942).*

### ***What are the interest and penalty charges for late returns and payments?***

*Withholding tax returns that are not filed on or before the due date are subject to interest and penalty charges.*

*If you fail to pay the tax when due, interest will be charged at the federal short-term rate (which can change quarterly) plus 4 percentage points, compounded daily. If you wish to obtain information on these rates, please call DOR's Customer Service Bureau at (617) 887-MDOR or toll-free in Massachusetts at 1-800-392-6089. Rates also are published each quarter in the **Taxpayer Advisory Bulletin**, which is available by calling DOR's Publishing Services Office at (617) 626-2800. The previous 18 percent simple interest rate applies to all interest accruing before January 1, 1993, even if the underlying liability is assessed after that date.*

*The penalty for late payment is  $\frac{1}{2}$  percent of the balance due per month (or fraction thereof), up to a maximum of 25 percent.*



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*Customer Service Bureau  
(617) 887-MDOR or  
1-800-392-6089*

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*The penalty for failure to file a return by the due date is 1 percent of the balance due per month (or fraction thereof), up to a maximum of 25 percent.*

### ***Are there any other penalties?***

*Yes. Businesses with annual withholding liabilities in excess of \$25,000 who fail to make timely deposits of withholding tax are liable for a 5 percent penalty on the amount of underpayment.*

*The amount of underpayment is any portion of a tax payment or weekly deposit that was due but not paid on time.*

**Willful tax evasion** is a felony punishable by a fine of up to \$100,000 for individuals or \$500,000 for corporations and/or imprisonment of up to five years. Willful failure to collect and pay over taxes is also a felony and is punishable by a fine of up to \$10,000 and/or imprisonment of up to five years.

### **Should a form be filed even if no tax was due for a given period?**

Yes. A form should be filed for all periods even when no tax is due — just enter zero in the appropriate places. This filing is necessary for DOR's record keeping purposes. It also will help avoid requests from DOR for filing information.

### **How can withholding payment errors be corrected?**

If you make a withholding payment error, corrections must be made as follows:

- *Adjustments for an underpayment of withheld taxes for the immediate prior period within the same calendar year must be made in Item 2 of the employer's appropriate current period form — Quarterly Return of Income Taxes Withheld for Employer Paying Weekly, Employer's Monthly Return of Income Taxes Withheld or Employer's Quarterly Return of Income Taxes Withheld (Form M-941D, M-942 or M-941) — and submitted with payment for the additional amount.*
- *Underpayments occurring before the immediate prior calendar period must be adjusted on an Amended Return of Income Taxes Withheld (Form M-941-AM) along with payment for the additional amount.*
- *Refunds of overpayments of taxes withheld must be requested by submitting an Application for Abatement (Form CA-6) along with a copy of the appropriate return substantiating the overpayment.*



Requests for adjustments  
or refunds must be  
accompanied by  
appropriate forms

# *Reporting and Retaining Employee Wage and Withholding Information*

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## **Which withholding records should employers retain?**

Records retained should include:

- The name, address, occupation and Social Security number of each employee;
- The amount and date of all payments of wages, the period of services covered by such payments and the amounts of tax withheld;
- Employees' statements of tips received;
- Employees' withholding exemption certificates (Forms W-4 and M-4);
- Employer's copies of employees' Wage and Tax Statements (Form W-2); and
- Copies of all withholding returns filed with the Department.

## **How long should withholding records be kept?**

*It is the employer's responsibility to retain all records pertaining to withholding for at least three years after the date the return was filed or the date it was required to be filed, whichever is later.*

*You also should know that there is no limitation on the period for which DOR may request records if an employer failed to file a return or filed a false or fraudulent return. Further information about retaining records is available in Regulation 830 CMR 62C.25.1, Records Retention. To obtain a copy, please call either DOR's Rulings and Regulations Bureau at (617) 626-3250 or DOR's Fax on Demand system at (617) 887-1900, using the handset and the keypad on your fax machine, and entering code number 2604.*



*Rulings and Regulations  
Bureau  
(617) 626-3250*

## **Is there a penalty for failure to provide W-2 forms to employees?**

*Yes. Employers are required to provide each employee with a Form W-2 by January 31. An employer who either fails to provide an employee with a Form W-2 or issues a false Form W-2 may be fined up to \$1,000 and/or imprisoned for up to one year.*

### **Are employers required to file W-2 information with DOR?**

Employers who have 250 or more employees and who file Forms W-2 with the Internal Revenue Service (IRS) on magnetic media also must provide DOR with Forms W-2 on magnetic media. This information must be filed with the Department by the last day of February for the preceding year. Contact DOR's Wage Reporting Group at (617) 887-5030 for the most current format. Magnetic media files may be mailed to Department of Revenue, W-2 Magnetic Media Filing, PO Box 7084, Boston, MA 02204.



Wage Reporting Group  
(617) 887-5030

Employers with fewer than 250 employees are encouraged, but not required, to file Forms W-2 on magnetic media. For more information, please see DOR Directive 97-1, Employer Requirements for Filing 1996 Year-end Withholding Information, which is available by calling either DOR's Rulings and Regulations Bureau at (617) 626-3250 or DOR Fax on Demand system at (617) 887-1900, using the handset and keypad on your fax machine, and entering code number 3446.

### **Are employers required to file any other wage-related information with DOR?**

Yes. By law, every employer who is required to deduct and withhold taxes on wages must complete and submit Massachusetts wage reporting information on an Employer's Quarterly Report of Wages Paid (Form WR-1). DOR will send registered employers the form on a quarterly basis. The purpose of the wage reporting system is to verify eligibility for programs such as Welfare, Medicaid, unemployment compensation and workers' compensation. In addition, it helps to track down parents who fail to pay the child support they owe. Requirements under this system are separate from requirements to submit income tax withholding forms.



Submit Form W-4  
for all newly hired  
employees

Employers also must submit a completed copy of the Employee's Withholding Allowance Certificate (Form W-4) from all newly hired employees, or employees returning to the payroll, within two weeks of an employee's first day on the job. Alternative means of reporting newly hired or reinstated employees are permitted on a written, preapproved basis.

An employer who fails to comply with the wage reporting requirements may be liable for penalties of up to \$100 per employee.

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### **Can employers file wage reporting information on magnetic media?**

Employers who report 250 or more employees in a calendar quarter are required to report quarterly wage information to the Department either on magnetic tape or cartridge. To make it as easy as possible for employers to meet this requirement, DOR has adopted a modified version of the format used by employers to report information to the Social Security Administration. Instructions for the Employer's Quarterly Report of Wages Paid (Form WR-1) explain magnetic media reporting rules in more detail. Small businesses may report quarterly wage reports on diskette. Any small business interested in participating in diskette filing should contact DOR's Wage Reporting Group at (617) 887-5030 for a complimentary software package.

### **Where can employers get more information about wage reporting?**

For more information or to request a Form WR-1, employers may contact DOR's Wage Reporting Group at (617) 887-5030.

### **What is the schedule for filing wage reports?**

The wage report, Form WR-1, is due on or before the 15th day of the month following the end of **each** calendar quarter. Quarterly wage reports are due on the following dates:

<b>Quarter Ending</b>	<b>Due Date</b>
March 31.....	April 15
June 30.....	July 15
September 30 .....	October 15
December 31.....	January 15

# Department of Revenue Resources

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## **What kind of help is available?**

The instructions in the Department of Revenue's tax forms should provide answers to most taxpayer questions. For further information on Massachusetts withholding tax law, please contact:



If you have questions,  
call or write for help

Department of Revenue, Customer Service Bureau  
PO Box 7010  
Boston, MA 02204  
(617) 887-MDOR or toll-free in Massachusetts 1-800-392-6089

DOR also issues a number of useful publications on various state tax issues. These publications include: tax-specific guides written in question and answer format such as **A Guide to the Department of Revenue: Your Taxpayer Bill of Rights**; a quarterly newsletter, the **Taxpayer Advisory Bulletin**, with updates on legislative, legal and Departmental decisions; and public written statements, such as **Regulations, Technical Information Releases (TIRs), Directives and Letter Rulings**, that explain the Commonwealth's tax laws in detail. Please see pages 24 through 26 for a more detailed list of available forms and publications. Taxpayers also can call **TaxTalk**, the Department's 24-hour automated system of recorded tax help, at the main information lines listed below.

## **Where to get forms and publications**



To obtain Massachusetts forms and publications by phone, call the Department's main information lines at (617) 887-MDOR or toll-free in Massachusetts at 1-800-392-6089. Please note that many forms and publications are available 24 hours a day by calling the Department's automated forms request system at the numbers listed above.



Many Massachusetts tax forms and publications also are available via the Internet. The address for the Department's website is [www.state.ma.us/dor](http://www.state.ma.us/dor).



Certain forms and publications can be obtained through DOR's Fax on Demand system. A list of commonly requested forms and publications and their fax codes appears on pages 24 through 26. For a complete Fax on Demand menu, please dial (617) 887-1900 using the handset and the keypad of your fax machine.

# Commonly Requested Forms and Publications

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*DOF's Fax on Demand  
(617) 887-1900  
+ fax code number*

*DOF offers a number of publications on various state tax issues. Most are available by calling DOF's main information lines at (617) 887-MDOF or toll-free in Massachusetts at 1-800-392-6089, or by visiting the DOF website at [www.state.ma.us/dor](http://www.state.ma.us/dor). Many of the documents below also are available through DOF's Fax on Demand system. Please call (617) 887-1900 using the handset and the keypad of your fax machine for a complete menu, or use the code number following the document title below.*

<b>Form Number</b>	<b>Title/Fax Code Number</b>
<b>1-ES</b>	<i>Estimated Income Tax Payment Vouchers/306 Instructions for Completing Form 1-ES/809</i>
<b>CA-6</b>	<i>Application for Abatement/326</i>
<b>Circular M</b>	<i>Massachusetts Income Tax Withholding Tables January 1999 and Thereafter/334</i>
<b>M-2848</b>	<i>Power of Attorney and Declaration of Representative/348 Instructions for Completing Form M-2848/848</i>
<b>M-4</b>	<i>Massachusetts Employee's Withholding Exemption Certificate and Instructions/366</i>
<b>M-4P</b>	<i>Massachusetts Withholding Exemption Certificate for Pension, Annuity and Other Periodic Payments and Nonperiodic Payments and Instructions/367</i>
<b>M-941</b>	<i>Employer's Quarterly Return of Income Taxes Withheld and Instructions</i>
<b>M-941A</b>	<i>Employer's Annual Return of Income Taxes Withheld and Instructions</i>
<b>M-941-AM</b>	<i>Amended Return of Income Taxes and Instructions/338</i>
<b>M-941D</b>	<i>Quarterly Return of Income Taxes Withheld for Employer Paying Weekly and Instructions</i>
<b>M-941W</b>	<i>Employer's Weekly Payment of Income Taxes Withheld and Instructions</i>
<b>M-942</b>	<i>Employer's Monthly Return of Income Taxes Withheld and Instructions</i>
<b>TA-1</b>	<i>Massachusetts Trustee Tax Application for Original Registration/314 Instructions for Completing Form TA-1/814</i>
<b>TA-2</b>	<i>Application for Additional Registration/315 Instructions for Completing Form TA-2/815</i>

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<b>Form Number</b>	<b>Title/Fax Code Number</b>
<b>TA-3 and TA-4</b>	<i>Supporting Schedules for Forms TA-1 and/or TA-2/1383</i>
<b>Trustee Taxes</b>	<i>General Information/816</i>
<b>WH-PEN</b>	<i>Massachusetts Income Tax Withholding from Taxable Pensions, Annuity and Other Periodic Payments and from Nonperiodic Payments/373</i>
<b>WHPM</b>	<i>Massachusetts Income Tax Withholding System Percentage Methods for Wages Paid from January 1, 1996 Until Further Notice/374</i>
<b>WR-1</b>	<i>Employer's Quarterly Report of Wages Paid/317 Instructions for Completing Form WR-1/817</i>
<b>WR-1 Transmitter Report</b>	<i>Wage Reporting Magnetic Media Transmitter Report/318</i>
<b>Instructions for Magnetic Media</b>	<i>Instructions for Filing on Magnetic Media/818</i>
<b>WR-2</b>	<i>Continuation Sheet for Employer's Quarterly Report of Wages Paid/319</i>
<b>TaxTalk</b>	<i>TaxTalk Menu of Topics/4000</i>



DOF's Fax on Demand  
(617) 887-1900  
+ fax code number

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**Publication Title/Fax Code Number**

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**A Guide to the Department of Revenue: Your Taxpayer Bill of Rights/3005** (24 pages)

**Guide to Filing Your Massachusetts Income Taxes/3010**

**A Guide to Withholding of Taxes on Wages/3007** (14 pages)

**Should You Be Paying Estimated Taxes?/3008** (4 pages)

**A Guide to Sales and Use Tax/3009** (18 pages)

**A Guide to Sales Tax on Meals/3012** (14 pages)

**A Guide to Estate Taxes (Applicable to dates of death prior to January 1, 1997)/3011** (14 pages)

**A Guide to Estate Taxes (Applicable to dates of death on or after January 1, 1997)/3013** (10 pages)

**Taxpayer Advisory Bulletin** is published quarterly with updates on legislative, legal and Departmental decisions and is available at most libraries or by calling DOR's Publishing Services Office at (617) 626-2800. Copies also are available via fax or the Internet.

**DOR Regulations, Technical Information Releases (TIRs), Directives and Letter Rulings (LRs)** are prepared on general tax issues as well as specific taxpayer inquiries and are published in the **MASSTAX Guide** or are available by calling DOR's Rulings and Regulations Bureau at (617) 626-3250. Copies also are available via fax or the Internet.

**Registration Packet** contains registration materials for business taxpayers, tax information, sample forms and informational guides.

**MASSTAX Guide** contains five volumes covering all state taxes and DOR administrative procedures; it is available for purchase through West Group (1-800-328-9352) or for reference at many law libraries and at the State House Library.

*The purpose of this publication is to provide taxpayers with general information about Massachusetts tax laws and Department of Revenue policies and procedures as of November 1, 1998. It is not designed to address all questions in detail, and taxpayers are encouraged to seek further guidance as described throughout this guide. Nothing contained within this publication supersedes, alters or otherwise changes any provisions of Massachusetts General Laws, Massachusetts Department of Revenue Regulations or Rulings or any other sources of the law.*

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# *Department of Revenue Offices*

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*Toll-free in Massachusetts: 1-800-392-6089*



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## **Boston**

*100 Cambridge Street, MA 02204  
(617) 887-MDOR*

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## **Fall River**

*218 South Main Street, MA 02721  
(508) 678-2844*

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## **Hyannis**

*1019 Iyanough Road, MA 02601  
(508) 771-2414*

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## **Pittsfield**

*333 East Street, MA 01201  
(413) 499-2206*

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## **Springfield**

*436 Dwight Street, MA 01103  
(413) 784-1000*

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## **Worcester**

*40 Southbridge Street, MA 01608  
(508) 792-7300*

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